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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 003263

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TAGS: [PREL](#) [ETRD](#) [ECON](#) [EINV](#) [CH](#) [JA](#)

SUBJECT: CHINA RELATIONS: SUPERFICIAL IMPROVEMENT, BUT
LITTLE PROGRESS ON FUNDAMENTAL ISSUES

REF: A. TOKYO 02916

[1](#)B. BEIJING 11931

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Classified By: Ambassador J. Thomas Schieffer. Reasons:1.4(b/d).

[1](#)1. (C) Summary: On June 13 MOFA's China Director told
Embassy Tokyo that:

-- China's growing economic dependence on Japan had prompted
Beijing to adopt a policy of improving relations with Tokyo
despite the risk that PM Koizumi might visit Yasukuni shrine
before he steps down from office;

-- the PRC would probably try to minimize the negative
reaction to an August 15 prime minister's visit to Yasukuni
shrine in order to prevent an anti-China backlash in Japan
from damaging China's long-term interests;

-- the PRC has adopted "smile" diplomacy as it seeks to
develop bilateral relations despite the absence of reciprocal
leadership visits to capitals, and expressed "understanding"
for the first time on the DPRK abduction issue; and

-- Japan has no interest in compromising on its proposal for
joint production of East China Sea gas resources.

End Summary.

Yasukuni Shrine

[1](#)2. (C) During a June 13 update on Japan-China relations,
MOFA China Division Director Hiroyasu Izumi told POL Deputy
that the bilateral relationship superficially appeared to be
improving, but that there was no real progress on fundamental
issues, particularly on the key issue of prime ministerial
visits to Yasukuni Shrine. Izumi agreed with the prevailing
rumor that PM Koizumi would likely visit the controversial
shrine on August 15, but was uncertain how the PRC would
react. In his personal analysis, Izumi believes that the
Chinese leadership has already taken into consideration the
possibility that the Prime Minister will visit Yasukuni on
August 15, but had decided to move forward with improving

Japan-China ties, nonetheless, because of the importance of good bilateral relations to China's continued economic growth. Using statistics to bolster his argument, Izumi claimed that foreign investment in China had begun to decline, except for Japanese investment, which continued to rise. The more than 30,000 Japanese companies in China were responsible for the creation of over seven million jobs and annually produced close to US \$7 billion in corporate tax revenue.

12. (C) Although PRC President Hu Jintao is consolidating his position and improving his ability to maneuver, he is still taking a risk in improving relations with Japan, Izumi analyzed. A prime ministerial Yasukuni visit might coalesce Hu's opponents against him, but Hu has taken the position that if the PRC reacts too strongly to a Yasukuni visit, it will provoke anti-Chinese feeling among the Japanese population and possibly lead to the selection of a more nationalist political leader to replace Koizumi when the Prime Minister steps down in September. As such a reaction would ultimately hurt Chinese interests, Hu has consequently begun to use the media to raise public awareness of the importance of China's relations with Japan, emphasizing the positive aspects of Japanese society and encouraging people-to-people and other exchanges, although he cannot control criticism of Japan on the internet or in the Hong Kong media. At the same time, the PRC is exerting pressure on prospective Japanese prime ministerial candidates not to visit the shrine, should they be elected, Izumi stated.

"Smile" Diplomacy

13. (C) Such steps, Izumi explained, are consistent with the three points on Japan-China relations adopted by the PRC leadership in late 2005: 1) Japan-China relations are

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important; 2) the issue of visits to Yasukuni Shrine is important; and 3) the lack of reciprocal leadership visits to capitals will not hamper the development of bilateral relations in other fields. These three tenants now constitute a widely accepted policy. This policy was in evidence during FM Aso's May 23 Doha meeting with PRC FM Li Zhaoxing, said Izumi, who accompanied the Foreign Minister (ref A). The Chinese have adopted "smile" diplomacy, he stated, saying that China is doing its best to avoid being criticized by the Japanese. Izumi observed that FM Li is a straightforward person, who clearly conveys his emotions. At Doha, Li conspicuously turned on the new "smile diplomacy." An unusually cheerful Li went out of his way to praise the Japanese interpreter and to be pleasant to the Japanese media covering the event. Li even patted FM Aso's knee in a friendly gesture as the two discussed various issues.

14. (C) At Doha, Izumi related, FM Li displayed a generally positive attitude, but did not make concrete promises on any of the issues that divide the two sides. Japan, he said, will now press China to follow up on Li's implied commitment to improve relations by setting dates for the East China Sea talks, the security dialogue, talks on Japanese World War II abandoned chemical weapons, DG-level talks on UN reform and talks on cooperation in Africa. Japan did see a subtle but significant change, however, in China's attitude toward the DPRK abduction issue. Previously China had insisted that the North Korean abductions issue was a matter for Tokyo to resolve bilaterally with Pyongyang. But at Doha, Li told Aso that China "understood the importance" of the abductions issue and would "take note" of Japan's request for assistance. Later, patting Aso's knee again, Li told the Foreign Minister that China was sympathetic to the plight of the abductee victims' families and would do its best on the issue.

New Tack On Leadership Visit

15. (C) Izumi also noted a change in President Hu's attitude toward visiting Japan, as reflected in his reaction to the invitation extended by Ambassador Miyamoto when he presented his credentials on June 10 (ref B). Hu not only expressed his wish to visit "if conditions are met," but also avoided specific mention Yasukuni shrine. In the past, the Chinese would have clearly stated the need to resolve the Yasukuni issue, Izumi noted. MOFA is taking the PRC leader's response as a step forward, even though the conditions for achieving the visit were not specified.

East China Sea

16. (C) Joint exploration is the only possible solution to the dispute over natural gas resources in the East China Sea, Izumi stated. Talks on the issue are continuing, but neither side has offered a compromise. Izumi commented that the many "vested interests" on the Chinese side, including the military, were complicating the talks and making the issue too difficult for the PRC's Ministry of Foreign Affairs. China has offered to accept Japan's proposal for joint production in exchange for a formal agreement to place a moratorium on the Senkaku Islands territorial dispute, he noted. Japan, however, has no interest in agreeing to such an arrangement as the Senkakus are already under its administrative control. Moreover, Japan is not particularly interested in developing the East China Sea resources, Izumi observed. Japan finds it cheaper to buy Middle East oil and gas than to develop resources in the East China Sea. Since it would not be possible to build a pipeline over the trench separating the East China Sea hydrocarbon resources from Japan, the oil and gas would have to be piped to China, so the PRC would be the ultimate beneficiary. If China wants the gas, it will have to offer concessions, Izumi stated.

SCHIEFFER